

MILLARD SCHOOL DISTRICT

Financial Statements

Year Ended June 30, 2005

MILLARD SCHOOL DISTRICT
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Year Ended June 30, 2005

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FINANCIAL SECTION

GILBERT & STEWART

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Millard School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millard School District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millard School District as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis which follows this report is not a required part of the basic financial statements but is supplementary information required by the Governmental

Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.



GILBERT & STEWART, CPA'S

November 8, 2005

Management's Discussion and Analysis

This section of Millard School District's (District) financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2005

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 8 through 13 of this report.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, *capital projects fund*, and *debt service fund*, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund statements can be found on pages 8 to 14 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses a fiduciary fund to account for resources held for other groups. The basic fiduciary fund financial statement can be found on page 15 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 16 to 27 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 44 to 53 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$26,682,693 at June 30, 2005.

MILLARD SCHOOL DISTRICT'S Net Assets

| | Governmental Activities | |
|---|----------------------------|----------------------|
| | 2005 | 2004 |
| Current and other assets | \$ 16,444,392 | \$ 17,461,419 |
| Capital assets | 29,072,365 | 30,198,077 |
| Total assets | <u>\$ 45,516,757</u> | <u>\$ 47,659,496</u> |
| Current and other liabilities | \$ 13,837,127 | \$ 15,682,960 |
| Noncurrent liabilities | 3,973,077 | 5,293,843 |
| | <u>17,810,204</u> | <u>20,976,803</u> |
| Net Assets: | | |
| Invested in capital assets net of related debt | 26,955,469 | 26,390,234 |
| Restricted | 2,825,244 | 2,731,619 |
| Unrestricted | (2,074,160) | (2,439,160) |
| | <u>\$ 27,706,553</u> | <u>\$ 26,682,693</u> |

The largest portion of the District's net assets (97%) reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to

repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net assets represent resources that are subject to external restrictions on how they may be used. The remainder of net assets may be used to meet the District's ongoing obligations to students, employees, and creditors. However, the unrestricted net asset amount has been earmarked for the following purposes:

- **Designation for Undistributed Reserve**

As allowed by law, the District has established an *undistributed reserve* of \$200,000 of general fund budgeted revenues within the general fund which is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries and \$300,000 is set aside for employee benefit obligations. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating of Aaa (Underlying Rating: Baa1) given by Moody's Investor Service.

- **Post Employment Healthcare Benefit Obligation**

The District provides healthcare benefits for eligible retired employees. This benefit is recorded as an expenditure as healthcare premiums are paid. Certain employees who elect to retire early under the District's early retirement program receive healthcare benefits up to five years. The District estimates its healthcare obligation for early retirees is \$583,426 as of June 30, 2005.

As of June 30, 2005, the District is able to report positive balances in two categories of net assets, both for the District as a whole and for its separate governmental activities. The same situation held true for the prior fiscal period.

The District's net assets increased by \$1,023,860 during the current year. The following discussion and analysis on governmental activities focuses on this increase:

MILLARD SCHOOL DISTRICT'S Changes in Net Assets

| | Governmental | |
|---|-------------------|-------------------|
| | Activities | |
| | 2005 | 2004 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 497,293 | \$ 504,030 |
| Operating grants and contributions | 6,626,425 | 6,295,562 |
| Capital grants and contributions | - | - |
| General Revenues: | | |
| Property taxes | 11,881,720 | 12,209,406 |
| Federal and state aid not restricted to specific purposes | 7,387,817 | 7,476,399 |
| Earnings on investments | 189,716 | 125,921 |
| Miscellaneous | 520,385 | 541,774 |
| Total revenues | <u>27,103,356</u> | <u>27,153,092</u> |
| Expenses: | | |
| Instruction | 17,219,723 | 19,215,150 |
| Support services: | | |

| | | |
|-----------------------------------|----------------------|----------------------|
| Students | 503,601 | 477,423 |
| Instructional staff | 457,467 | 517,762 |
| District administration | 384,539 | 355,093 |
| School administration | 1,694,643 | 1,590,867 |
| Business | 294,732 | 303,393 |
| Operation & maintenance of plant | 2,432,147 | 2,599,138 |
| Transportation | 1,676,577 | 1,566,394 |
| Central | 11,595 | |
| School lunch services | 1,272,329 | 1,268,824 |
| Interest on long term liabilities | <u>132,143</u> | <u>205,482</u> |
| Total expenses | <u>26,079,496</u> | <u>28,099,526</u> |
| Changes in net assets | 1,023,860 | (946,434) |
| Net assets, beginning | <u>26,682,693</u> | <u>27,629,127</u> |
| Net assets, ending | <u>\$ 27,706,553</u> | <u>\$ 26,682,693</u> |

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities that are not recognized in the governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

The *general fund* is the chief operating fund of the District. At June 30, 2005, unreserved and undesignated fund balance was \$598,204 while the total fund balance was \$1,101,936. The unreserved and undesignated fund balance increased by \$127,949 as did the total fund balance during the fiscal year. Annual expenditures in the general fund were \$133,616 less than the final budgeted amounts.

The *capital projects fund* has a total fund balance of \$1,571,928, all of which is restricted for acquisition of capital assets and related expenditures. The fund balance increased by \$26,456.

The *debt service fund* has a total fund balance of \$681,338, all of which is reserve for the payment of debt service on general obligation bonds. The fund balance increased by \$28,529 during the fiscal year.

The *charter school fund* has a total fund balance of \$2,909. The balance is unreserved and undesignated. The fund balance increased by \$122 during the fiscal year.

The *non K-12 programs special revenue fund* has a total fund balance of \$26,719. This balance is within the total allowed by state guidelines and is restricted to non-kindergarten through twelfth grade programs.

The *school lunch special revenue fund* has a total fund balance of \$131,458. This balance is within the total allowed by state guidelines and is restricted to food service programs.

Capital Asset and Debt Administration

Capital Assets. The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

MILLARD SCHOOL DISTRICT'S Capital Assets (net of accumulated depreciation)

| | 2005 | 2004 |
|-------------------------|----------------------|----------------------|
| Land | \$ 1,077,692 | \$ 1,077,692 |
| Water Stock | \$ 54,814 | \$ 54,814 |
| Buildings | 26,070,406 | 26,070,406 |
| Furniture and Equipment | 1,869,453 | 1,869,453 |
| | <u>\$ 29,072,365</u> | <u>\$ 29,072,365</u> |

Debt Administration

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 was \$78,115,154 while the general obligation debt at that date was \$2,105,000, resulting in a legal debt margin of \$76,010,154.

MILLARD SCHOOL DISTRICT'S Outstanding Debt

| | 2005 | 2004 |
|--------------------------|---------------------|---------------------|
| General obligation bonds | <u>\$ 2,105,000</u> | <u>\$ 3,790,000</u> |

Requests for Information

This financial report is designed to provide a general overview of Millard School District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions concerning this report or need additional financial information, please contact the Office of the Business Administrator, Millard School District, 285 East 450 North, Delta, Utah 84624. Phone #435-864-1000.

MILLARD SCHOOL DISTRICT**Statement of Net Assets**

June 30, 2005

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Cash and investments | \$ 4,725,486 |
| Receivables: | |
| Property taxes | 11,079,922 |
| Other governments | 251,396 |
| Other | 219,429 |
| Inventories | 142,897 |
| Prepaid expenditures | - |
| Bond issuance costs, net | 25,262 |
| Capital assets: | |
| Land, construction in progress, and water stock | 1,132,506 |
| Other capital assets, net of accumulated depreciation | 27,939,859 |
| Total assets | <u>45,516,757</u> |
| Liabilities: | |
| Accounts payable | 1,199,754 |
| Accrued interest | 5,828 |
| Accrued salaries | - |
| Deferred revenue: | |
| Property taxes | 10,939,956 |
| Other governments | 259,499 |
| Local sources | - |
| Noncurrent liabilities: | |
| Due within one year | 1,432,090 |
| Due in more than one year | 3,973,077 |
| Total liabilities | <u>17,810,204</u> |
| Net Assets: | |
| Invested in capital assets, net of related debt | 26,955,469 |
| Restricted for: | |
| School lunch | 131,458 |
| Non K-12 programs | 26,719 |
| Charter School | 2,909 |
| Foundation | 416,720 |
| Debt service | 677,871 |
| Capital projects | 1,569,567 |
| Unrestricted | (2,074,160) |
| Total net assets | <u>\$ 27,706,553</u> |

The notes to the financial statements are an integral part of this statement.

MILLARD SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2005

| Functions | Expenses | Charges for Services | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|---|---------------|-------------------------|--|--|--|
| | | | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instructional services | \$ 17,219,723 | \$ 75,911 | \$ 4,657,792 | \$ - | \$ (12,486,020) |
| Supporting services: | | | | | |
| Students | 503,601 | - | - | - | (503,601) |
| Instructional staff | 457,467 | - | 258,688 | - | (198,779) |
| District administration | 384,539 | - | - | - | (384,539) |
| School administration | 1,694,643 | - | - | - | (1,694,643) |
| Business | 294,732 | - | - | - | (294,732) |
| Operation and maintenance of facilities | 2,432,147 | - | - | - | (2,432,147) |
| Transportation | 1,676,577 | 21,334 | 865,481 | - | (789,762) |
| Central | 11,595 | - | - | - | (11,595) |
| School lunch services | 1,272,329 | 400,048 | 844,464 | - | (27,817) |
| Interest on long-term liabilities | 132,143 | - | - | - | (132,143) |
| Total school district | \$ 26,079,496 | \$ 497,293 | \$ 6,626,425 | \$ - | (18,955,778) |
| General revenues: | | | | | |
| Property taxes levied for: | | | | | |
| General purposes | | | | | 6,235,059 |
| Transportation | | | | | 353,039 |
| Recreation | | | | | - |
| Debt service | | | | | 1,843,648 |
| Capital outlay | | | | | 3,449,974 |
| Federal and state aid not restricted to specific purposes | | | | | 7,387,817 |
| Earnings on investments | | | | | 189,716 |
| Miscellaneous | | | | | 520,385 |
| Total general revenues | | | | | 19,979,638 |
| Change in net assets | | | | | 1,023,860 |
| Net assets - beginning | | | | | 26,682,693 |
| Net assets - ending | | | | | \$ 27,706,553 |

The notes to the financial statements are an integral part of this statement.

MILLARD SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2005

| | Major Funds | | | | Other | Total |
|--|---------------------|-------------------------|-----------------------------|---------------------------|-------------------------------|-------------------------------|
| | General | Debt Service | Capital Projects | Charter School | Governmental Funds | Governmental Funds |
| Assets: | | | | | | |
| Cash and investments | \$ 1,824,690 | \$ 686,987 | \$ 1,739,380 | \$ 8,582 | \$ 465,847 | \$ 4,725,486 |
| Receivables: | | | | | | |
| Property taxes | 6,143,065 | 1,718,506 | 3,217,199 | - | 1,152 | 11,079,922 |
| Other governments | 168,460 | - | - | 15,820 | 67,116 | 251,396 |
| Other receivables | 219,429 | - | - | - | - | 219,429 |
| Prepaid expenditures | - | - | - | - | - | - |
| Inventory | - | - | - | - | 142,897 | 142,897 |
| Total assets | \$ 8,355,644 | \$ 2,405,493 | \$ 4,956,579 | \$ 24,402 | \$ 677,012 | \$ 16,419,130 |
| Liabilities and fund balances: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 1,005,508 | \$ - | \$ 156,882 | \$ 5,673 | \$ 31,691 | \$ 1,199,754 |
| Accrued salaries | - | - | - | - | - | - |
| Deferred revenue: | | | | | | |
| Property taxes | 6,074,945 | 1,724,155 | 3,227,769 | - | - | 11,026,869 |
| Other governments | 173,255 | - | - | 15,820 | 70,424 | 259,499 |
| Local sources | - | - | - | - | - | - |
| Total liabilities | 7,253,708 | 1,724,155 | 3,384,651 | 21,493 | 102,115 | 12,486,122 |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | 3,732 | - | 6,843 | - | - | 10,575 |
| Commitments | - | - | 1,000,000 | - | - | 1,000,000 |
| Debt service | - | 681,338 | - | - | - | 681,338 |
| Unreserved: | | | | | | |
| Designated for: | | | | | | |
| Undistributed reserve | 200,000 | - | - | - | - | 200,000 |
| Employee benefit obligations | 300,000 | - | - | - | - | 300,000 |
| Schools | - | - | - | - | 382,727 | 382,727 |
| Undesignated, reported in: | | | | | | |
| General fund | 598,204 | - | - | - | - | 598,204 |
| Capital projects fund | - | - | 565,085 | - | - | 565,085 |
| Charter school fund | - | - | - | 2,909 | - | 2,909 |
| Special revenue funds | - | - | - | - | 192,170 | 192,170 |
| Total fund balances | 1,101,936 | 681,338 | 1,571,928 | 2,909 | 574,897 | 3,933,008 |
| Total liabilities and fund balances | \$ 8,355,644 | \$ 2,405,493 | \$ 4,956,579 | \$ 24,402 | \$ 677,012 | \$ 16,419,130 |

The notes to the financial statements are an integral part of this statement.

MILLARD SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

| | |
|---|---------------------|
| Total fund balances for governmental funds | \$ 3,933,008 |
|---|---------------------|

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

| | | | |
|--|----|------------------|------------|
| Land | \$ | 1,077,692 | |
| Water stock | | 54,814 | |
| Buildings and improvements, net of \$16,473,560 accumulated depreciation | | 26,070,406 | |
| Furniture and equipment, net of \$3,034,252 accumulated depreciation | | <u>1,869,453</u> | 29,072,365 |

| | |
|--|--------|
| Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. | 86,913 |
|--|--------|

| | |
|--|---------|
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$3,467 and accrued interest for obligations under capital leases is \$2,361. | (5,828) |
|--|---------|

| | |
|--|--------|
| Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$128,158 and accumulated amortization is \$102,896. | 25,262 |
|--|--------|

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

| | | | |
|----------------------------------|------------------|--|--------------------|
| Bonds payable | (2,105,000) | | |
| Unamortized premiums | (11,896) | | |
| Obligations under capital leases | (3,120,750) | | |
| Accrued vacation payable | (16,385) | | |
| Early retirement payable | <u>(151,136)</u> | | <u>(5,405,167)</u> |

| | |
|--|-----------------------------|
| Total net assets of governmental activities | \$ <u>27,706,553</u> |
|--|-----------------------------|

The notes to the financial statements are an integral part of this statement.

MILLARD SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

| | Major Funds | | | | Other Governmental Funds | Total Governmental Funds |
|--|--------------|-----------------|---------------------|-------------------|--------------------------------|--------------------------------|
| | General | Debt Service | Capital Projects | Charter School | | |
| Revenues: | | | | | | |
| Property taxes | \$ 6,624,932 | \$ 1,852,832 | \$ 3,469,687 | \$ - | \$ - | \$ 11,947,451 |
| Earnings on investments | 73,777 | 38,306 | 61,319 | 591 | 15,723 | 189,716 |
| School lunch sales | - | - | - | - | 400,048 | 400,048 |
| Other local sources | 564,321 | - | - | 403 | 52,906 | 617,630 |
| State aid | 10,775,817 | - | 25,000 | 231,108 | 366,405 | 11,398,330 |
| Federal aid | 1,835,534 | - | - | 16,012 | 764,366 | 2,615,912 |
| Total revenues | 19,874,381 | 1,891,138 | 3,556,006 | 248,114 | 1,599,448 | 27,169,087 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instructional services | 13,829,595 | - | - | 149,364 | 351,609 | 14,330,568 |
| Supporting services: | | | | | | |
| Students | 503,601 | - | - | - | - | 503,601 |
| Instructional staff | 457,467 | - | - | - | - | 457,467 |
| District administration | 384,539 | - | - | - | - | 384,539 |
| School administration | 1,448,317 | - | - | 94,296 | - | 1,542,613 |
| Business | 161,999 | - | - | - | - | 161,999 |
| Operation and maintenance of facilities | 2,418,939 | - | - | 13,332 | - | 2,432,271 |
| Transportation | 1,443,298 | - | - | - | - | 1,443,298 |
| Central | 11,595 | - | - | - | - | 11,595 |
| Lease payment | - | - | - | - | - | - |
| School lunch services | - | - | - | - | 1,230,090 | 1,230,090 |
| Capital outlay | - | - | 2,607,632 | - | - | 2,607,632 |
| Debt service: | | | | | | |
| Principal retirement | - | 1,703,750 | - | - | - | 1,703,750 |
| Refunding bond issuance costs | - | - | - | - | - | - |
| Interest and fiscal charges | - | 158,859 | - | - | - | 158,859 |
| Total expenditures | 20,659,350 | 1,862,609 | 2,607,632 | 256,992 | 1,581,699 | 26,968,282 |
| Excess (deficiency) of revenues over (under) expenditures | (784,969) | 28,529 | 948,374 | (8,878) | 17,749 | 200,805 |
| Other financing sources (uses): | | | | | | |
| Transfers | 912,918 | - | (921,918) | 9,000 | - | - |
| Proceeds from bank loan | - | - | - | - | - | - |
| Refunding bond proceeds | - | - | - | - | - | - |
| Payments to refunding bond | - | - | - | - | - | - |
| Payments to refunding bond escrow agent | - | - | - | - | - | - |
| Proceeds from capital leases | - | - | - | - | - | - |
| Total other financing sources (uses) | 912,918 | - | (921,918) | 9,000 | - | - |
| Net change in fund balances | 127,949 | 28,529 | 26,456 | 122 | 17,749 | 200,805 |
| Fund balances - beginning | 973,987 | 652,809 | 1,545,472 | 1,633 | 557,148 | 3,731,049 |
| Fund balances - ending | \$ 1,101,936 | \$ 681,338 | \$ 1,571,928 | \$ 1,755 | \$ 574,897 | \$ 3,931,854 |

The notes to the financial statements are an integral part of this statement.

MILLARD SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year Ended June 30, 2005

Net change in fund balances-total governmental funds **\$ 200,805**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|---------------------------------------|--------------------|-------------|
| Capital outlays | \$ 501,071 | |
| Loss on disposal of capital assets | (23,939) | |
| Proceeds from sales of capital assets | - | |
| Depreciation expense | <u>(1,602,844)</u> | (1,125,712) |

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

| | | |
|---|----------------|---------|
| Other financing source - capital leases | - | |
| Interest expense - capital leases | - | |
| Principal payments of capital leases | <u>368,812</u> | 368,812 |

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

| | | |
|---|--------------|-----------|
| General obligation bond proceeds | - | |
| Payment to refunded bond escrow agent | - | |
| Bond premium | - | |
| Bond issuance costs | - | |
| Repayment of bond principal | 1,685,000 | |
| Interest expense - general obligation bonds | 17,743 | |
| Interest expense - general obligation bonds | 3,026 | |
| Amortization of bond issuance costs | (17,632) | |
| Amortization of bond premium | <u>5,947</u> | 1,694,084 |

Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Deferred property tax revenues increased this year. (65,731)

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) and claims (arbitrage rebates) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued vacation decreased by \$310 and early retirement payable increased by \$48,708. (48,398)

Change in net assets of governmental activities **\$ 1,023,860**

The notes to the financial statements are an integral part of this statement.

MILLARD SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2005

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------------|--------------|----------------|-----------------------|
| | Original | Final | Amounts | Final Budget - |
| | | | | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Property taxes | \$ 6,390,540 | \$ 6,563,385 | \$ 6,624,932 | \$ 61,547 |
| Earnings on investments | 50,000 | 67,920 | 73,777 | 5,857 |
| Other local sources | 431,000 | 559,415 | 564,321 | 4,906 |
| State aid | 11,007,980 | 10,786,041 | 10,775,817 | (10,224) |
| Federal aid | 1,565,450 | 1,835,090 | 1,835,534 | 444 |
| Total revenues | 19,444,970 | 19,811,851 | 19,874,381 | 62,530 |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | 13,274,581 | 13,944,633 | 13,829,595 | 115,038 |
| Supporting services: | | | | |
| Students | 512,100 | 503,863 | 503,601 | 262 |
| Instructional staff | 432,070 | 463,625 | 457,467 | 6,158 |
| District administration | 368,450 | 389,695 | 384,539 | 5,156 |
| School administration | 1,463,730 | 1,450,515 | 1,448,317 | 2,198 |
| Business | 162,475 | 162,090 | 161,999 | 91 |
| Operation and maintenance of facilities | 2,728,200 | 2,413,482 | 2,418,939 | (5,457) |
| Transportation | 1,418,364 | 1,453,438 | 1,443,298 | 10,140 |
| Central | - | 11,625 | 11,595 | 30 |
| Lease payment | - | - | - | - |
| Total expenditures | 20,359,970 | 20,792,966 | 20,659,350 | 133,616 |
| Excess of revenues over expenditures | (915,000) | (981,115) | (784,969) | 196,146 |
| Other financing sources (uses): | | | | |
| Transfer in | 915,000 | 921,918 | 921,918 | - |
| Transfer out | - | (10,000) | (9,000) | (1,000) |
| | 915,000 | 911,918 | 912,918 | (1,000) |
| Net change in fund balances | - | (69,197) | 127,949 | 195,146 |
| Fund balances - beginning | 973,987 | 973,987 | 973,987 | - |
| Fund balances - ending | \$ 973,987 | \$ 904,790 | \$ 1,101,936 | \$ 195,146 |

The notes to the financial statements are an integral part of this statement.

MILLARD SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2005

| | <u>Student Activities Fund</u> |
|-----------------------|--|
| Assets: | |
| Cash and investments | \$ 389,381 |
| Liabilities | |
| Due to student groups | \$ 389,381 |

The notes to the financial statements are an integral part of this statement.

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Millard County School District have been prepared in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the District's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has implemented the provisions of Statement No. 34 as well as other new standards related to note disclosure, non-exchange transactions, and certain liabilities and expenditures.

- **Reporting Entity** - The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District. The District is not a component unit of any other primary government.

Government-wide and fund financial statements – The *government-wide financial statements* (i.e., the statement of net assets and the statement of changes in net assets) display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocation that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line.

Program revenues include 1) fees and charges paid by students and other recipients of goods or services, offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The *fund financial statements* provide information about the District's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental fund:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.
- The *CBA center fund* accounts for financing of the Utah Charter School.

Additionally, the District reports the following fund type:

- The *student activities agency fund (a fiduciary fund)* accounts for assets held on behalf of student groups and others.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide and fiduciary fund financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and post-employment healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Budgetary Data – Budgets are presented on the modified accrual basis of accounting for all governmental funds except the Millard County Foundation for Excellence special revenue fund. Budgets are not adopted on a District level for the student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During June of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.

If the District does not exceed the certified tax rate, a public hearing is held prior to June 22nd at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the tax rates.

- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds and the internal service fund. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

Deposits and Investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Cash and Cash Equivalents – The District considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Pool (PTIF).

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either “due to/from other funds” (i.e., current portion of interfund loans) or “advances from/to other funds” (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resource.

Inventories – Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. The consumption method of accounting is applied to the inventories of all funds.

Inventories of donated United States Department of Agriculture (USDA) commodities on hand at year-end are reported on the balance sheet at fair market value on the date received as inventory. Commodities used during the year are reported as revenue and expenditure on the operating statement.

Capital Assets – Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, furniture and equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 50 |
| Building Improvements | 15 |
| Furniture | 10 |
| Portable Classrooms | 20 |
| Machinery and Equipment | 10 |
| Buses | 10 |
| Lunch Equipment | 12 |
| Musical Instruments | 10 |
| Licensed Vehicles | 10 |
| Computers | 5 |
| Audio Video Equipment | 7 |

Compensated Absences – Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated vacation days to a maximum of 20 days. No reimbursement or accrual is made for unused sick leave.

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured, for example, as a result of employee resignations and retirements.

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Long-term Obligations – In the government-wide financial statements and internal service fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data and Reclassifications – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

2. DEPOSITS AND INVESTMENTS

Deposit and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2005, as shown on the financial statements is as follows:

| | |
|---|--------------------|
| Carrying amount of deposits | \$ 530,157 |
| Carrying amount of investments | <u>4,584,777</u> |
| Total cash and investments | <u>\$5,114,934</u> |
| Governmental funds cash and investments | \$4,725,486 |
| Fiduciary fund cash and investments | <u>389,448</u> |
| Total cash and investments | <u>\$5,114,934</u> |

The District complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio.

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Rules of the Council allow Millard School District Foundation to invest private grants, contributions, and endowments in any deposit or investment authorized by the Act and certain investment funds, equity securities, fixed-income securities, and investment strategies with institutions that meet certain restrictions.

All of the District's investments are with the PTIF. The Foundation has deposits separate from the District and invests some private funds through a broker.

Deposits – At June 30, 2005, the District and the Foundation have the following deposits with financial institutions:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> | <u>Amount Insured</u> |
|------------------------------------|----------------------------|-------------------------|---------------------------|
| Millard School District | \$204,515 | \$2,341,706 | \$200,000 |
| Millard school District Foundation | <u>325,642</u> | <u>325,642</u> | <u>100,000</u> |
| Total Deposits | <u>\$530,157</u> | <u>\$2,667,348</u> | <u>\$300,000</u> |

- **Custodial credit risk** – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2005, the uninsured amount of the District's and Foundation's bank deposits was uncollateralized.

Investments – At June 30, 2005, the District and the Foundation have the following investments summarized by investment type and maturities:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|-------------------------------------|---------------------|----------------------------------|-------------|-------------|-----------------|
| | | Less Than 1 | 5-Jan | 10-May | More Than 10 |
| Millard School District: | | | | | |
| Utah Public Treasurer's | | | | | |
| Investment Fund (PTIF) | \$ 4,552,452 | \$ 4,552,452 | \$ - | \$ - | \$ - |
| Millard School District Foundation, | | | | | |
| component unit: | | | | | |
| Equity security | <u>32,325</u> | <u>32,325</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total investments | <u>\$ 4,584,777</u> | <u>\$ 4,584,777</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

- **Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The Foundation can invest private funds in fixed-income securities with a dollar-weighted average maturity not to exceed ten years.
- **Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service, Inc. or by Standard and Poor's Corporation. The District has no investment policy that would further limit its investment choices.

At June 30, 2005, the District and the Foundation have the following investments subject to credit risk:

| Investment Type | Fair Value | Credit Quality Ratings | | |
|-------------------------|--------------|------------------------|-------------|--------------|
| | | AAA to A | Less than A | Unrated |
| Millard School District | | | | |
| Utah Public Treasurer's | | | | |
| Investment Fund (PTIF) | \$ 4,552,452 | \$ - | \$ - | \$ 4,552,452 |
| Millard School District | | | | |
| Foundation: | | | | |
| Corporate equity | 32,325 | 32,325 | | |

- **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and/or corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer. The Foundation can invest private funds in certain equity and fixed-income securities provided no more than 5% of all funds are invested in any one issuer and no more than 25% of all funds are invested in a particular industry. Also, for the Foundation's investments in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.
- **Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. The Act requires the Foundation's public treasurer to have custody of all securities purchased or held or deposit these securities with a bank or trust company to be held in safekeeping by the custodian.

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Millard County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%. The interest rate period is from January 1 until the date paid.

Beginning January 1, 1992, an annual uniform fee based on the value of motor vehicles was levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market value statewide value of the property, as established by the State Tax Commission. Effective January 1, 1999, legislation required motor vehicles be subject to an "age-based" fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the County collects it.

As of June 30, 2005, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2005 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2005 is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Water Stock | \$1,077,692 | \$ - | \$ - | \$1,077,692 |
| Land | <u>54,814</u> | <u>-</u> | <u>-</u> | <u>54,814</u> |
| Total capital assets, not being depreciated | 1,132,506 | - | - | 1,132,506 |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 44,897,349 | 25,337 | - | 44,922,686 |
| Furniture and equipment | <u>5,143,217</u> | <u>475,734</u> | <u>(360,440)</u> | <u>5,258,511</u> |
| Total capital assets, being depreciated | 50,040,566 | 501,071 | (360,440) | 50,181,197 |
| Accumulated depreciation for: | | | | |
| Buildings and improvements | (17,767,484) | (1,084,796) | - | (18,852,280) |
| Furniture and equipment | <u>(3,207,511)</u> | <u>(518,048)</u> | <u>336,501</u> | <u>(3,389,058)</u> |

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

| | | | | |
|--|---------------------|----------------------|-------------------|---------------------|
| Total accumulated depreciation | <u>(20,974,995)</u> | <u>(1,602,844)</u> | <u>336,501</u> | <u>(22,241,338)</u> |
| Total capital assets, being depreciated, net | <u>29,065,571</u> | <u>(1,101,773)</u> | <u>(23,939)</u> | <u>27,939,859</u> |
| Governmental activities capital assets, net | <u>\$30,198,077</u> | <u>(\$1,101,773)</u> | <u>(\$23,939)</u> | <u>\$29,072,365</u> |

For the year ended June 30, 2005, depreciation expense was charged to functions of the District as follows:

| | |
|--|-------------------------|
| Governmental activities: | |
| Instructional services | \$ 1,061,860 |
| Supporting services: | |
| District administration | 132,733 |
| School administration | 132,733 |
| Transportation | 233,279 |
| School lunch services | <u>42,239</u> |
| Total depreciation expense - governmental activities | <u>\$ 1,602,844</u> |

5. RETIREMENT PLANS

Defined Benefit Plans - The District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the State and School Contributory Retirement System are required to contribute 6% of their annual covered salary (all or part may be paid by the employer for the employee) and Millard County School District is required to contribute 8.89% of their member's annual covered salary. In the State and School Noncontributory Retirement System the Millard County School District is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$38,073, \$35,606 and \$30,698 respectively. The Noncontributory Retirement System contributions for June 30, 2005, 2004 and 2003 were \$1,618,258, \$1,469,699, and \$1,412,431 respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plan - The District participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2005, 2004, and 2003 were \$201,864, \$195,081, and \$215,118, respectively; the employee contributions for the years ending June 30, 2005, 2004, and 2003 were \$397,743, \$387,066, and \$414,145, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined with other public entities in a common risk management and insurance program operated by the State of Utah Division of Risk Management. The District pays premiums to this risk pool, the Utah State Risk Management Fund, for its general insurance coverage. The pool is self sustaining through member premiums and reinsures through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims of the risk pool. The District has purchased commercial insurance for other risks of loss including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2005 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------------|----------------------|------------------|-----------------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 3,790,000 | \$ | \$ (1,685,000) | \$ 2,105,000 | \$ 1,035,000 |
| Deferred amounts for issuance | | | | | |
| Premium | 17,843 | | (5,947) | 11,896 | 5,947 |
| Total bonds payable, net | 3,807,843 | | (1,690,947) | 2,116,896 | 1,040,947 |
| Obligations -- capital leases | 3,489,562 | | (368,812) | 3,120,750 | 314,750 |
| Accrued vacation | 16,695 | 15,190 | (15,500) | 16,695 | 14,747 |
| Early retirement payable | 102,428 | 96,608 | (47,900) | 151,136 | 61,646 |
| Total governmental activity | | | | | |
| Long-term liabilities | <u>\$ 7,416,528</u> | <u>\$ 11,798</u> | <u>\$ (2,123,159)</u> | <u>\$ 5,405,167</u> | <u>\$ 1,432,090</u> |

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. The obligations under capital leases are paid by the capital projects fund. Vacation and early retirement benefits will be paid by the fund in which the employee worked.

General Obligation Bonds - The District issues general obligation bonds to finance the purchase of major capital items and the acquisition or construction of major capital facilities. Outstanding general obligation bonds at June 30, 2005 are as follows:

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

| | <u>Rates</u> | <u>Dates</u> | <u>Balance</u> |
|--|-------------------|--------------|---------------------|
| Series 1997 Dated May 1, 1998 – Original Amount \$6,715,000 | 5.00% to 5.30% | 2007 | \$ 1,125,000 |
| Series 2002 Dated September 1, 2002 - Original Amount \$1,935,000 | 2.75% | 2013 | <u>980,000</u> |
| Total | | | <u>\$ 2,105,000</u> |

The debt service requirements to maturity for the general obligation bonds are shown below:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------|---------------------|-------------------|--------------------|
| 2006 | \$ 1,035,000 | \$ 83,200 | \$1,118,200 |
| 2007 | <u>1,070,000</u> | <u>42,362</u> | <u>1,112,362</u> |
| Total | <u>\$ 2,105,000</u> | <u>\$ 125,562</u> | <u>\$2,230,562</u> |

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 is \$82,973,297. General obligation debt at June 30, 2005 is \$2,105,000, resulting in a legal debt margin of \$75,573,297.

Advance Refunding – September 1, 2002 - The District issued \$1,935,000 general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,850,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from financial statements.

Notes Payable – During 2003 the District received \$150,000 from a non-interest bearing energy loan from the State of Utah. Repayment is in the amount of \$18,750 per year for the next seven years, through the year 2010.

Capital Lease Obligations – During the year the District entered into a capital lease agreement for total price of \$3,606,000. The lease is with Zions Bank and was used to fund energy retrofit in school facilities. The lease is payable in semi-annual interest and annual principal payments through March of 2013. The total payments including interest are \$4,453,012. The future minimum lease payments are as follows:

| <u>Year Ended</u> | <u>Amount</u> |
|-------------------|---------------------|
| 2006 | \$ 409,540 |
| 2007 | 409,105 |
| 2008 | 409,377 |
| 2009 | 409,543 |
| 2010 | 409,681 |
| 2011 | 408,706 |
| 2012 | 408,921 |
| 2013 | <u>770,038</u> |
| | \$ 3,634,911 |
| Less Interest | (607,911) |
| Total | <u>\$ 3,027,000</u> |

**MILLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

8. DESIGNATED FOR UNDISTRIBUTED RESERVE

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the current fiscal year's total general fund budgeted revenues. Use of the reserve requires a written resolution adopted by a majority vote of the Board filed with Utah State Board of Education and State Auditor.

9. GRANTS

The District receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

10. ECONOMIC DEPENDENCY

The assessed property taxes for Millard County School District was \$11,019,162. Of this amount, \$7,540,240 (68%) were taxes assessed to a single taxpayer, the Intermountain Power Agency (IPA).

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

MILLARD SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

| | <u>Special Revenue</u> | | | Total |
|--|--------------------------|------------------------------|---|--|
| | School Lunch | Non K-12 Programs | Millard School District Foundation | Nonmajor Governmental Funds |
| Assets: | | | | |
| Cash and investments | \$ 36,718 | \$ 12,379 | \$ 416,750 | \$ 465,847 |
| Receivables: | | | | |
| Other local | - | 1,152 | - | 1,152 |
| Other governments | 43,228 | 23,888 | - | 67,116 |
| Prepaid expenditures | - | | | - |
| Inventory | 142,897 | | | 142,897 |
| Due from other funds | | | | - |
| Total assets | <u><u>\$ 222,843</u></u> | <u><u>\$ 37,419</u></u> | <u><u>\$ 416,750</u></u> | <u><u>\$ 677,012</u></u> |
| Liabilities: | | | | |
| Accounts payable | \$ 20,961 | \$ 10,700 | \$ 30 | \$ 31,691 |
| Deferred revenue: | | | | |
| Property taxes | - | | - | - |
| Other governments | 70,424 | | - | 70,424 |
| Local sources | - | | - | - |
| Total liabilities | <u><u>91,385</u></u> | <u><u>10,700</u></u> | <u><u>30</u></u> | <u><u>102,115</u></u> |
| Fund balances: | | | | |
| Unreserved: | | | | |
| Designated for schools | - | - | 382,727 | 382,727 |
| Designated for compensated absences | | | - | - |
| Undesignated | 131,458 | 26,719 | 33,993 | 192,170 |
| Total fund balances | <u><u>131,458</u></u> | <u><u>26,719</u></u> | <u><u>416,720</u></u> | <u><u>574,897</u></u> |
| Total liabilities and fund balances | <u><u>\$ 222,843</u></u> | <u><u>\$ 37,419</u></u> | <u><u>\$ 416,750</u></u> | <u><u>\$ 677,012</u></u> |

MILLARD SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2005

| | <u>Special Revenue</u> | | | Total |
|--------------------------------------|-------------------------|------------------------------|---|--|
| | School Lunch | Non K-12 Programs | Millard School District Foundation | Nonmajor Governmental Funds |
| Revenues: | | | | |
| Student fees | \$ - | \$ 39,864 | \$ - | \$ 39,864 |
| Lunch sales | 400,048 | - | - | 400,048 |
| Earnings on investments | 319 | 801 | 14,603 | 15,723 |
| Other local revenues | - | 7,152 | 5,890 | 13,042 |
| State aid | 142,382 | 224,023 | - | 366,405 |
| Federal aid | 702,082 | 62,284 | - | 764,366 |
| Total revenues | <u>1,244,831</u> | <u>334,124</u> | <u>20,493</u> | <u>1,599,448</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | - | 338,870 | 12,739 | 351,609 |
| School lunch services | <u>1,230,090</u> | <u>-</u> | <u>-</u> | <u>1,230,090</u> |
| Total expenditures | <u>1,230,090</u> | <u>338,870</u> | <u>12,739</u> | <u>1,581,699</u> |
| Excess of revenues over expenditures | 14,741 | (4,746) | 7,754 | 17,749 |
| Other financing sources: | | | | |
| Net change in fund balances | <u>14,741</u> | <u>(4,746)</u> | <u>7,754</u> | <u>17,749</u> |
| Fund balances - beginning | <u>116,717</u> | <u>31,465</u> | <u>408,966</u> | <u>557,148</u> |
| Fund balances - ending | <u>\$ 131,458</u> | <u>\$ 26,719</u> | <u>\$ 416,720</u> | <u>\$ 574,897</u> |

MILLARD SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
School Lunch
Nonmajor Special Revenue Fund
Year Ended June 30, 2005

| | 2005 | | | 2004 |
|----------------------------------|------------------------------|-------------------|---|-------------------|
| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) | Actual Amounts |
| Revenues: | | | | |
| Local sources: | | | | |
| Lunch sales - children | \$ 350,000 | \$ 348,040 | \$ (1,960) | \$ 366,010 |
| Lunch Sales - adult | 23,500 | 23,623 | 123 | 21,289 |
| Earnings on investments | 162 | 319 | 157 | 75 |
| Other local sales | 28,300 | 28,385 | 85 | 28,415 |
| Total local sources | 401,962 | 400,367 | (1,595) | 415,789 |
| State sources: | | | | |
| State lunch program | 125,360 | 142,382 | 17,022 | 137,158 |
| Total state sources | 125,360 | 142,382 | 17,022 | 137,158 |
| Federal sources: | | | | |
| Federal lunch program | 82,788 | 83,590 | 802 | 85,055 |
| Free and reduced assistance | 389,475 | 397,800 | 8,325 | 377,877 |
| Breakfast program | 126,500 | 131,496 | 4,996 | 110,296 |
| Other | 89,196 | 89,196 | - | 89,608 |
| Total federal sources | 687,959 | 702,082 | 14,123 | 662,836 |
| Total revenues | 1,215,281 | 1,244,831 | 29,550 | 1,215,783 |
| Expenditures: | | | | |
| Current: | | | | |
| Salaries | 578,950 | 573,074 | 5,876 | 584,873 |
| Employee benefits | 223,619 | 222,121 | 1,498 | 205,716 |
| Purchased services | 1,250 | 1,134 | 116 | 1,556 |
| Food | 407,200 | 415,431 | (8,231) | 407,808 |
| Equipment | 2,350 | 2,297 | 53 | 4,770 |
| Other | 17,500 | 16,033 | 1,467 | 21,643 |
| Total expenditures | 1,230,869 | 1,230,090 | 779 | 1,226,366 |
| Net change in fund balances | (15,588) | 14,741 | 30,329 | (10,583) |
| Fund balances - beginning | 116,717 | 116,717 | - | 127,300 |
| Fund balances - ending | <u>\$ 101,129</u> | <u>\$ 131,458</u> | <u>\$ 30,329</u> | <u>\$ 116,717</u> |

MILLARD SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non K-12 Programs
Nonmajor Special Revenue Fund
Year Ended June 30, 2005

| | 2005 | | | 2004 |
|--|------------------------------|-------------------|---|-------------------|
| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) | Actual Amounts |
| Revenues: | | | | |
| Local sources: | | | | |
| Community school fees | \$ 38,860 | \$ 39,864 | \$ 1,004 | \$ 42,223 |
| Earnings on investments | 575 | 801 | 226 | 531 |
| Miscellaneous revenues | 6,000 | 7,152 | 1,152 | 4,458 |
| Total local sources | 45,435 | 47,817 | 2,382 | 47,212 |
| State sources: | | | | |
| Adult high school completion | 86,557 | 86,557 | - | 60,455 |
| Preschool | 137,466 | 137,466 | - | 81,700 |
| Adult basic skills | - | - | - | - |
| Total state sources | 224,023 | 224,023 | - | 142,155 |
| Federal sources: | | | | |
| Special education preschool grant | 51,000 | 50,990 | (10) | 103,528 |
| Other federal sources | 11,294 | 11,294 | - | 15,600 |
| Total federal sources | 62,294 | 62,284 | (10) | 119,128 |
| Total revenues | 331,752 | 334,124 | 2,372 | 308,495 |
| Expenditures: | | | | |
| Current: | | | | |
| Salaries | 210,600 | 206,515 | 4,085 | 212,913 |
| Employee benefits | 71,132 | 70,373 | 759 | 67,267 |
| Purchased services | 5,560 | 5,526 | 34 | 4,857 |
| Supplies | 37,585 | 36,043 | 1,542 | 5,973 |
| Other | 22,000 | 20,413 | 1,587 | 20,417 |
| Total expenditures | 346,877 | 338,870 | 8,007 | 311,427 |
| Excess (deficiency) of revenues over (under) expenditures | (15,125) | (4,746) | 10,379 | (2,932) |
| Fund balances - beginning | 31,465 | 31,465 | - | 34,397 |
| Fund balances - ending | <u>\$ 16,340</u> | <u>\$ 26,719</u> | <u>\$ 10,379</u> | <u>\$ 31,465</u> |

MILLARD SCHOOL DISTRICT
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
Millard School District Foundation
Nonmajor Special Revenue Fund
Years Ended June 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|---|--------------------------|--------------------------|
| Revenues: | | |
| Local sources: | | |
| Contributions | \$ 5,890 | \$ 49,575 |
| Earnings on investments | 14,603 | 11,011 |
| Total revenues | <u>20,493</u> | <u>60,586</u> |
| Expenditures: | | |
| Current: | | |
| Scholarships | 12,331 | 12,579 |
| Incentives for excellence | | - |
| Administrative | 14 | 22 |
| Program services - supplies and materials | <u>394</u> | <u>-</u> |
| Total expenditures | <u>12,739</u> | <u>12,601</u> |
| Excess (deficiency) of revenues over (under) expenditures | 7,754 | 47,985 |
| Other financing sources (uses): | | - |
| Net change in fund balances | 7,754 | 47,985 |
| Fund balances - beginning | <u>408,966</u> | <u>360,981</u> |
| Fund balances - ending | <u><u>\$ 416,720</u></u> | <u><u>\$ 408,966</u></u> |

MILLARD SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Debt Service Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

| | 2005 | | | 2004 |
|--|------------------------------|-------------------|---|-------------------|
| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) | Actual Amounts |
| Revenues: | | | | |
| Property tax | \$ 1,835,608 | \$ 1,852,832 | \$ 17,224 | \$ 1,925,078 |
| Earnings on investments | 35,000 | 38,306 | 3,306 | 20,825 |
| Total revenues | 1,870,608 | 1,891,138 | 20,530 | 1,945,903 |
| Expenditures: | | | | |
| Debt service: | | | | |
| Note Payable | - | - | - | - |
| Bond principal | 1,703,750 | 1,703,750 | - | 1,628,750 |
| Bond interest | 155,358 | 155,359 | (1) | 223,796 |
| Bond issuance costs | - | - | - | - |
| Paying agent fees | 5,000 | 3,500 | 1,500 | 3,500 |
| Total expenditures | 1,864,108 | 1,862,609 | 1,499 | 1,856,046 |
| Excess (deficiency) of revenues over (under) expenditures | 6,500 | 28,529 | 22,029 | 89,857 |
| Other financing sources (uses): | | | | |
| Proceeds of refunding bonds | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | 6,500 | 28,529 | 22,029 | 89,857 |
| Fund balance - beginning | 652,809 | 652,809 | - | 562,952 |
| Fund balance - ending | \$ 659,309 | \$ 681,338 | \$ 22,029 | \$ 652,809 |

MILLARD SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Capital Projects Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

| | 2005 | | Variance with Final Budget - Positive (Negative) | 2004 |
|---|------------------------------|---------------------|---|---------------------|
| | Final Budgeted Amounts | Actual Amounts | | Actual Amounts |
| Revenues: | | | | |
| Local sources: | | | | |
| Property taxes | \$ 3,437,457 | \$ 3,469,687 | \$ 32,230 | \$ 3,475,640 |
| Earnings on investments | 58,000 | 61,319 | 3,319 | 34,909 |
| Other local revenue | | | - | 10,300 |
| Total local sources | 3,495,457 | 3,531,006 | 35,549 | 3,520,849 |
| State sources: | | | | |
| Other | 25,000 | 25,000 | - | - |
| Total state sources | 25,000 | 25,000 | - | - |
| Total revenues | 3,520,457 | 3,556,006 | 35,549 | 3,520,849 |
| Expenditures: | | | | |
| 10% of basic for supplies | 325,000 | 345,314 | (20,314) | 230,975 |
| Facilities: | | | | |
| Construction and remodeling | 975,500 | 913,172 | 62,328 | 1,816,945 |
| Equipment: | | | | |
| Maintenance and custodial | 385,000 | 366,158 | 18,842 | 249,673 |
| Purchased services | 94,350 | 77,884 | 16,466 | 104,859 |
| Machinery | 26,305 | 25,305 | 1,000 | 65,743 |
| Buses | 225,756 | 225,756 | - | 229,242 |
| Furniture and fixtures | 160,060 | 141,057 | 19,003 | 247,932 |
| Other vehicles | 48,845 | 48,844 | 1 | 28,169 |
| Other | - | - | - | 250 |
| Interest | 113,579 | 114,079 | (500) | 119,026 |
| Redemption of principal | 350,063 | 350,063 | - | 307,161 |
| Total equipment | 1,403,958 | 1,349,146 | 54,812 | 1,352,055 |
| Total expenditures | 2,704,458 | 2,607,632 | 96,826 | 3,399,975 |
| Excess (deficiency) of revenues over (under) expenditures | 815,999 | 948,374 | 132,375 | 120,874 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from bank loan | - | - | - | - |
| Transfer out | (921,918) | (921,918) | - | (916,248) |
| Capital lease | - | - | - | - |
| Sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | (921,918) | (921,918) | - | (916,248) |
| Net change in fund balances | (105,919) | 26,456 | 132,375 | (795,374) |
| Fund balance - beginning | 1,545,472 | 1,545,472 | - | 2,340,846 |
| Fund balance - ending | \$ 1,439,553 | \$ 1,571,928 | \$ 132,375 | \$ 1,545,472 |

MILLARD SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Charter School Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

| | 2005 | | | 2004 |
|--|------------------------------|-------------------|---|-------------------|
| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) | Actual Amounts |
| Revenues: | | | | |
| Earnings on investments | \$ 525 | \$ 591 | \$ 66 | \$ 319 |
| Other local | 400 | 403 | 3 | 420 |
| State aid | 231,108 | 231,108 | - | 216,015 |
| Federal Aid | 15,962 | 16,012 | 50 | 5,259 |
| Total revenues | 247,995 | 248,114 | 119 | 222,013 |
| Expenditures: | | | | |
| Current: | | | | |
| Instructional services | 152,371 | 149,364 | 3,007 | 183,243 |
| Supporting services: | | | | |
| School administration | 94,378 | 94,296 | 82 | 34,506 |
| Business | - | - | - | 7,251 |
| Operation and maintenance of facilities | 14,033 | 13,332 | 701 | 12,859 |
| Total expenditures | 260,782 | 256,992 | 3,790 | 237,859 |
| Excess (deficiency) of revenues over (under) expenditures | (12,787) | (8,878) | 3,909 | (15,846) |
| Other financing sources (uses): | | | | |
| Transfers in | 10,000 | 9,000 | (1,000) | 17,000 |
| Net change in fund balances | (2,787) | 122 | 2,909 | 1,154 |
| Fund balance - beginning | 2,787 | 2,787 | - | 1,633 |
| Fund balance - ending | \$ - | \$ 2,909 | \$ 2,909 | \$ 2,787 |

MILLARD SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
Student Activities Agency Fund
Year Ended June 30, 2005

| | <u>Net Assets at July 1, 2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Net Assets at June 30, 2005</u> |
|--|---------------------------------------|---------------------|---------------------|--|
| Assets: | | | | |
| Cash and investments | <u>\$ 390,610</u> | <u>\$ 1,527,922</u> | <u>\$ 1,529,151</u> | <u>\$ 389,381</u> |
| Liabilities: | | | | |
| Due to student organizations: | | | | |
| Elementary Schools: | | | | |
| Delta North | \$ 13,330 | \$ 91,988 | \$ 90,861 | \$ 14,457 |
| Fillmore | 10,531 | 96,361 | 88,616 | 18,276 |
| Delta South | 12,893 | 128,877 | 127,648 | 14,122 |
| Total elementary schools | <u>36,754</u> | <u>317,226</u> | <u>307,125</u> | <u>46,855</u> |
| Junior High Schools: | | | | |
| Dela Middle | 58,042 | 118,346 | 126,205 | 50,183 |
| Fillmore Middle | 11,179 | 70,956 | 71,325 | 10,810 |
| Total junior high schools | <u>69,221</u> | <u>189,302</u> | <u>197,530</u> | <u>60,993</u> |
| High Schools and Special Purpose Programs: | | | | |
| Delta High | 122,005 | 566,176 | 577,155 | 111,026 |
| Millard High | 75,438 | 333,913 | 336,148 | 73,203 |
| Delta Technical Center | 39,631 | 83,038 | 76,332 | 46,337 |
| Eskdale High | 5,199 | 34,632 | 34,555 | 5,276 |
| House Project | 28,681 | 717 | | 29,398 |
| FFA Lab | 13,681 | 2,918 | 306 | 16,293 |
| Total high schools and special purpose programs | <u>284,635</u> | <u>1,021,394</u> | <u>1,024,496</u> | <u>281,533</u> |
| Total due to student organizations | <u>\$ 390,610</u> | <u>\$ 1,527,922</u> | <u>\$ 1,529,151</u> | <u>\$ 389,381</u> |

MILLARD SCHOOL DISTRICT

**SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS**

YEAR ENDED JUNE 30, 2005

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MILLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Thru Grantor's Number | Disbursements or Expenditures |
|---|---------------------------|----------------------------------|-------------------------------------|
| <u>U.S. Department of Education</u> | | | |
| <i>Passed Through Utah State Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies (Title I, A) | 84.010A | 04-10-05 | \$146,796 |
| Title I Grants to Local Educational Agencies (Title I, A) | 84.010A | 05-10-05 | 380,331 |
| Title I Grants to Local Educational Agencies Leadership | 84.010A | 04-15-05 | 29,597 |
| Special Education-Grants to States | 84.027A | 05-21-05 | 16,012 |
| Special Education-Grants to States | 84.027A | 05-21-05 | 429,531 |
| Special Education-Grants to States | 84.027A | 05-21-05 | 7,541 |
| Special Education-Preschool Grants | 84.173A | 04-98-05 | 27,102 |
| Special Education-Preschool Grants | 84.173A | 05-98-05 | 23,888 |
| Special Education-Preschool Grants | 84.173A | 04-21-05 | 307,887 |
| Improving Teacher Quality (Title II, A) | 84.367 | 04-05-04 | 731 |
| Improving Teacher Quality (Title II, A) | 84.367 | 05-05-04 | 169,879 |
| Fund for the Improvement of Education | 84.215K | 04-32-05 | 6,270 |
| Migrant Education-State Grant Program | 84.011A | 04-15-05 | 18,396 |
| Migrant Education-State Grant Program | 84.011A | 05-15-05 | 92,777 |
| English Language Acquisition (Title III, A) | 84.365 | 04-73-05 | 21,897 |
| English Language Acquisition (Title III, A) | 84.365 | 05-73-05 | 1,111 |
| Safe and Drug Free Schools (Title IV, A) | 84.186A | 05-09-05 | 17,266 |
| Technology Literacy Challenge Fund (Title II, D) | 84.318 | 05-10-60 | 15,544 |
| Innovative Education Program Strategies (Title VI, A) | 84.318 | 03 | 12,624 |
| Innovative Education Program Strategies (Title VI, A) | 84.048A | 04 | 6,419 |
| Federal Adult Ed & Family Literacy (Local) | 84.002A | 05-33-12 | 11,294 |
| Vocational Education-Basic Grants to States | 84.048A | 05-21-02 | 67,059 |
| <i>Direct Aid</i> | | | |
| Indian Education Grants | 84.060A | N/A | 6,793 |
| Total U.S. Department of Education | | | <u>1,816,745</u> |
| <u>U.S. Department of Justice</u> | | | |
| Drug Free Communities | 93.276 | N/A | <u>81,489</u> |
| <u>U.S. Department of Agriculture</u> | | | |
| <i>Passed Through Utah State Department of Education</i> | | | |
| Federal School Lunch Program | 10.555 | 04-43-05 | 15,628 |
| Federal Special Assistance Program | 10.555 | 04-43-05 | 77,169 |
| Federal School Lunch Program | 10.555 | 05-43-05 | 67,101 |
| Federal Special Assistance Program | 10.555 | 05-43-05 | 312,304 |
| Federal School Breakfast Program | 10.553 | 04-43-05 | 23,687 |
| Federal School Breakfast Program | 10.553 | 05-43-05 | 102,792 |
| Federal CCFP Food Service | 10.558 | 05-43-05 | 1,740 |
| Federal Food Commodities | 10.550 | N/A | 87,456 |
| <i>Passed Through Millard County</i> | | | |
| Forest Reserve | 10.665 | N/A | 18,169 |
| Total U.S. Department of Agriculture | | | <u>706,046</u> |
| TOTAL EXPENDITURE OF FEDERAL AWARDS | | | <u>\$2,604,280</u> |

MILLARD SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of Federal awards is a summary of activities related to the District expenditure of Federal awards. The schedule has been prepared on the same basis as the general purpose financial statements. Most of the awards are reimbursement based. Therefore, as expenditures of Federal funds are made, revenue is recognized.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Ending inventory is reflected in the financial statements as deferred revenue. Ending inventory at June 30, 2005 is \$142,897.

NOTE C - ACCOUNTS RECEIVABLE

The financial statements include accounts receivable from Federal programs. These receivables are accrued according to the accrual basis of accounting. The receivables reflect Federal awards that have been expended by yearend and not yet reimbursed.

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Independent Auditor's Report On Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Education
Millard School District
Delta, UT

November 8, 2005

We have audited the financial statements of Millard School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered Millard School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Millard School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, Utah State Auditor, State Office of Education, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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Certified Public Accountants

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Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133, *Audits Of States, Local Governments, And Non-Profit Organizations*

Board of Education
Millard School District
Delta, UT

November 8, 2005

Compliance

We have audited the compliance of Millard School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. Millard School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Millard School District's management. Our responsibility is to express an opinion on Millard School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Millard School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Millard School District's compliance with those requirements.

In our opinion, Millard School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Millard School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Millard School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

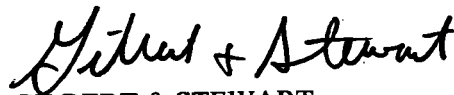
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or

operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Millard School District as of and for the year ended June 30, 2005 and have issued our report thereon dated November 8, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of management, State Office of Education, Utah State Auditor, Federal and State award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


GILBERT & STEWART
Certified Public Accountants

**MILLARD SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Millard School District.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Millard School District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit on internal control over major Federal award programs.
5. The auditor's report on compliance for the major Federal award programs for Millard School District expresses a unqualified opinion.
6. No audit findings relative to the major Federal award programs for Millard School District are reported in this schedule.
7. The programs tested as major programs included: Child Nutrition Cluster CFDA10.553 and Title I Grants CFDA 84.010.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Millard School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS

None

D. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS - PRIOR YEAR

None

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INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE IN ACCORDANCE WITH THE UTAH STATE LEGAL COMPLIANCE AUDIT GUIDE

Board of Education
Millard School District
Delta, Utah

November 8, 2005

We have audited the financial statements of Millard School District for the year ended June 30, 2005, and have issued our report thereon dated November 8, 2005. As part of our audit, we have audited Millard School District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The District received the following major state assistance programs from the State of Utah:

- Minimum School Programs (SOE)
- School Lunch Program (SOE)
- Youth In Custody

The District also received nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the Millard School District's financial statements.)

Our audit also included test work on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

- Public Debt
- Budgetary Compliance
- Cash Management
- Property Tax
- Purchasing Requirements
- Other Compliance Requirements

The management of the Millard School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance.

In our opinion, Millard School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2005.

This report is intended solely for the information of management, the Board of Education, State Office of Education, and Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.


GILBERT & STEWART
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